97-84020-10

Thompson, Arthur Webster

Relations of railways and shippers in the U.S.

[Baltimore?]

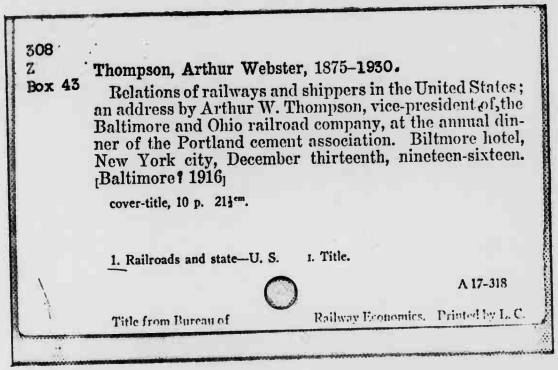
[1916]

97-84020-10
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



308
Z
Box 43

Thompson, Arthur Webster, 1875–1930.

Relations of railways and shippers in the United States; an address by Arthur W. Thompson, vice-president of the Baltimore and Ohio railroad company, at the annual dinner of the Portland cement association. Biltmore hotel, New York city, December thirteenth, nineteen-sixteen. [Baltimore? 1916]

cover-title, 10 p. 21½cm.

1. Railroads and state—U. S. I. Title.

A 17-318

Title from Bureau of Railway Economics. Printed by L. C.

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 12:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-10-97 INITIALS: MS.

TRACKING # : 20909

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

MAY 4 - 1917

RELATIONS OF RAILWAYS AND SHIPPERS IN THE UNITED STATES

308
I
Box 43

AN ADDRESS

BY

ARTHUR W. THOMPSON
VICE-PRESIDENT
THE BALTIMORE AND OHIO RAILROAD COMPANY

AT THE

ANNUAL DINNER

OF THE

PORTLAND CEMENT ASSOCIATION

LIBRARY OF CONGRESS CARD A17-318

BILTMORE HOTEL
NEW YORK CITY
DECEMBER THIRTEENTH, NINETEEN-SIXTEEN

RELATION OF THE SHIPPERS AND THE RAILWAYS.

It is a great pleasure to have the opportunity to dine with you tonight, and to have been invited to say something in regard to the relation of the shippers and the railways.

May I venture the hope that these few remarks may help to enlighten you on this subject—one of great importance to the industrial world, and at this time the basis of considerable public discussion.

This gathering of shippers and manufacturers appeals to me very much. As most of you probably know, I have only recently been placed in charge of the traffic and commercial department of the Baltimore and Ohio Railroad. I have had but comparatively few opportunities to address gatherings of this kind, the members of which furnish freight for the railroads, and it seems to me this may be an opportunity to increase the business of the Baltimore and Ohio, and I realize that I also have a chance for losing some of the business.

GENERAL—COOPERATION

The transportation problem in this country today is one demanding the best efforts of the most able men, and I believe requires the cooperation of those who have freight to ship as well as the railway executives and officers. It is necessary to handle the transportation problem with greater confidence in order to meet the requirements of the shippers and the public, as well as to make railway investments more profitable. Good railway management and ample railway facilities are absolutely essential to the welfare of the Nation. The resources of the country are being rapidly developed, and if the railroads do not keep abreast and in fact a little ahead of the requirements, business is bound to suffer, and the proof is that business is suffering at this time.

It would seem to go without saying that the railroads should be permitted to earn a fair return on the money invested in

them, and maintain their properties at a standard commensurate with the service they are expected to render.

We have passed through ten years of strenuous railway regulation, some of which was undoubtedly severe and unjust, but much of which seemed necessary, and in this connection, the fact should not be lost sight of that the railroads have only one source of revenue—the public. Whatever is paid out in dividends, taxes, and for materials and labor, and other expenditures must come from the public.

The conflicting jurisdiction of the Interstate Commerce Commission and the state commissions is one of the problems that must be straightened out, and it is to such bodies as yours that the railroads must look for assistance. It is through such organizations that the railroads should, and doubtless will, look for help in bringing about fair railway legislation. Great public good will result from closer cooperation between the shippers and the railways, and in the future, in getting such matters as rate increases properly decided, organizations such as yours should be appealed to by the railways. It is my understanding that during the so-called Five Percent. Rate Case the Interstate Commerce Commission gave greater consideration to communications containing resolutions and arguments by the various civic and commercial bodies than to any others.

I believe that if the question of Government Ownership of Railways ever comes to an issue, bodies such as yours, as well as civic bodies, will have the greatest voice in deciding the question.

CAR SHORTAGE

An officer of a railway in making any public utterance today could hardly refrain from referring to the present car shortage. Except for three months in 1912, and one month in 1913, when there were slight car shortages, there has not been any real car shortage in the United States since 1907. The shortages in 1912 and 1913 were local, such as in coal regions and for special equipment. During practically all of the period from 1907 to 1916 there was a surplus of cars ranging from 10,000 to 413,000 cars per month. These statistics are compiled by the American Railway Association from monthly reports sent in by all of the railroads of the country and printed for public use. In this connection, I might mention, that during the period from October 15, 1914, to February 1, 1915, the net car surplusage was so large and the railroad depression so acute that the American Railway Association, as a measure of economy, temporarily discontinued the compilation of these statistics.

Today there is a net car shortage of approximately 150,000 cars in the country. The natural question at issue is; how are the cars being used, or in other words, are we making efficient use of our equipment? It is thought that the railways and the shippers are not using freight equipment to the best advantage, during the past week the railways increased the penalty for not returning equipment to the owner's line. The per diem rate was not increased and the demurrage rules were not changed, but effective December 15th the American Railway Association has authorized an increase from 45 to 75 cents per diem. The Interstate Commerce Commission, who have been investigating the car shortage, because of complaints from many shippers throughout the country, agreed to permit the railways to put into effect concurrently with the per diem increase, the progressive demurrage rule, which provides for two days' free time, exclusive of Sundays or holidays, after which the rate will be $1.00 for the first day, $2.00 for the second day, $3.00 for the third day, and $5.00 for each succeeding day.

It is thought that the shippers and the railways can at this time increase the available cars for loading by—

Better and more prompt handling of cars by shippers and railways
Reduction in free time under which cars may stand under load
Some recognized arrangement to prevent consignment of cars to congested territories
Progressive demurrage fairly and effectively arranged
Loading cars to capacity

It would seem reasonable to all concerned that the railroads should have a higher per diem rate between themselves during periods of car shortage than when there is a surplus of cars. The

rate of per diem should be sufficient to give incentive to the return of cars to the owning roads. In this way the railways who have provided equipment to take care of their patrons will receive the benefit of such equipment.

A shipper who contemplates locating a plant naturally looks into the facilities of the various railroads for handling his product before he finally decides on a location; or at least he should do so. Having decided to locate on a certain railroad it seems eminently unfair that the railroad on which he has pinned his faith has no means of compelling the return of its cars.

The penalty provided in the new progressive demurrage rules will result in more prompt unloading of cars as well as getting them into service. Certainly in times of car shortage progressive demurrage would seem fair, because of the fact that a part of the burden of maintaining the supply of equipment should be borne by the shippers.

It seems fair that the railroads should not be required to own sufficient cars to meet a peak load, and bear the burden of interest and depreciation on cars which must stand idle for long periods. After all, however, the expense must be borne by the public, as it is only from the public that the railways get their revenue. It would seem better to have sufficient equipment to take care of a normal business, and during times of unusual business activity both the shippers and the railways should make unusual efforts to increase the movement of the cars available. This means that the railways should furnish sufficient road power to move the equipment promptly, and sufficient switching power to move loads and empties to and from the industries promptly. This means higher unit costs and relatively lower unit returns for the railways. Is it too much to expect of shippers that they also meet the situation by prompt loading and unloading of cars, even though such promptness means some rehandling and some increase in unit costs?

The average miles per car per day on all railroads in this country today, as reported by the American Railway Association, is about twenty-three. This seems unreasonably small and undoubtedly can be increased. Every increased mile per day in the movement of freight cars means that much more equipment

available. To move cars faster and to load and unload them quickly to the extent of only an average increase of 1½ miles per car per day would be equivalent to adding 320,000 cars to the total freight equipment in the United States; briefly it would mean more efficient use of the equipment now in service. This would be a greater help to the railways and the shippers than to purchase new cars, even on the basis that the cars could be promptly built, because it requires side tracks as well as running tracks and yards to hold additional equipment. Therefore it seems that the broad economical effect in the matter of equipment would be more efficient handling of the present equipment and to get such results means close cooperation between the railways and the shippers.

There had been purchased for several years prior to the last two an average of about 155,000 freight cars per year by all of the railroads in the country. During the past two years there have been purchased only an average of about 60,000 freight cars per year, or a two years shortage of 190,000 cars based on previous years' purchase.

The total car shortages as reported by the American Railway Association, as previously mentioned, amount to about 150,000 cars. So far as I know it has never been determined just what number of cars each of the railroads in the country should own to take care of the business offered. There is a wide variance in the number of cars owned by railroads using any unit of measure. Some of the railroads have been buying cars constantly in the past five or six years while other railroads have purchased but few. For example, the Baltimore and Ohio during the past seven years has purchased 42,000 freight cars, or at the rate of 6,000 cars per year. This year it has arranged to purchase 7,000. The Baltimore and Ohio has increased the capacity of its equipment 37 per cent. during the past seven years. There is a definite ratio between locomotives required and the number of freight cars on line. This ratio is one locomotive to from 45 to 50 freight cars. To keep up the proper ratio on the Baltimore and Ohio 791 new freight locomotives have been purchased in the past six years and the ratio of one freight locomotive to every 45 freight cars is being maintained.

At the present time we have a surplus of available locomotives laid up waiting for additional business, which is quite a different situation from that prevailing on most of the railroads in the country. Of course, at this time of the year it is necessary for good operation to have some surplus power, as when cold weather arrives there will be a slowing up in the movement of freight providing the present business continues, which would eventually mean congestion of yards, terminals, etc., unless additional power is available. It has been found necessary to add thirty locomotives to freight service on the Baltimore and Ohio for every ten degrees drop in the temperature below forty in order to handle the business currently.

CEMENT BUSINESS

It is my understanding that you gentlemen represent a business for which there is a combined capitalization of 250 millions of dollars in stocks and bonds invested in 160 plants, which have a total capacity of 127 million barrels of cement annually, and that your average output for three years has been 90 million barrels, or about 75 per cent. of your capacity, the average value per barrel being 90 cents. The value of the output of these plants is 81 millions of dollars annually.

Figures I have seen indicate that the cement business has increased 115 per cent. in five years.

The future growth of the cement business will undoubtedly be relatively greater as the value of cement products is recognized by consumers.

It is interesting to note that thirty to forty per cent. of the cost of the manufacture of cement is for fuel and amounts to six million tons of bituminous coal per year; that it requires 200 to 280 pounds of coal and 600 pounds of limestone or clay to produce a barrel of cement, and that one-half of the coal used is for the power plants. This interesting data calls to my attention the movement of bituminous coal, used particularly because of the large area of undeveloped coal lands on the Baltimore and Ohio. With the amount of undeveloped coal land the opportunity for

increasing the shipment of coal to lake ports for the purpose of manufacturing cement seems to be unlimited.

COMMERCIAL DEVELOPMENT

With your permission I would like to tell you something about the Commercial Department of the Baltimore and Ohio. In the reorganization of the Traffic Department last July for the purpose of bringing about a greater commercial development on the system, a new department was established—the Commercial Development Department. The organization of the Traffic or Commercial Department is somewhat unique and quite different from that of any other railroad. Traffic, commercial development, solicitation and advertising are all a part of the Commercial or Traffic Department, which includes also matters of general traffic, policy, rates, tariffs, etc. The Commercial Development Department, which I am going to speak more particularly about, has charge of all development work such as:

Helping existing industries to expand through increased availability of raw materials and of markets
Locating industries
Development of terminals for the purpose of securing, handling, and developing new and additional business
Originating new lines for the development of the property

The principal function of this department is business getting in a way to secure the largest net profits for the Company. Through a systematic study we expect to develop business, and in this connection the Commercial Development Department of the Baltimore and Ohio may be of some assistance to you. In selecting a suitable location for a factory or manufacturing plant the manufacturer should know:

Where his operating costs will be lowest
Where his market will be broadest
Where his largest net profits can be secured

To know these things the manufacturer must make a close study of:

Source of raw materials
Marketing of the finished product
Availability of labor supply
Prevailing scale of wages
Housing conditions
Cost of living and recreation facilities for employes
Sources, cost and quality of fuel, power and water
Tax rates
Available factory sites
Transportation facilities
Freight rates
and many other elements too numerous to mention.

To assist the manufacturer in making these essential studies and in order to help him select the one place where the greatest number of economies in operation can be offered, we have organized this department, consisting of a corps of engineering and industrial specialists. These men are all experts in their respective lines and are constantly engaged in making economic, geological, chemical, agricultural, engineering and other surveys relative to the suitability of localities for manufacturing operations of all kinds.

As we view your business at this time, knowing that but 75 per cent. of the capacity of your plants was utilized last year, and that but three per cent. of your output was exported, it would seem that we might be of some assistance to you, particularly in extending your export business. We may be able to help you cheapen the cost of your product. No doubt your association has given this study and I mention this without knowing just what you have done.

The most natural export markets for cement would seem to be those territories which ship bulky cargoes to the United States and which in turn could accommodate bulky cargoes on the return voyage. The most striking examples are Cuba, with its sugar and ore shipments; Brazil with its coffee and lumber shipments; Chile with its ore and nitrate shipments.

Until recently I understand there have been no cement factories of consequence on the entire continent of South America. Recent consular reports indicate that American capital is now organizing a cement plant in Argentine to cost approximately $2,000,000 and to use local clays. If an export business could be established it would probably prevent the construction of additional cement plants in those countries, leaving the field or markets for the cement industry of the United States. Prior to the outbreak of the European war, South America used European cement largely.

With your established plants and 25 per cent. unused capacity it would seem that without much increase in overhead charges the export business presents a profitable source of new revenue in the cement trade.

It would seem that the manufacturers of cement have been considerably handicapped in the development of the use of your product because of the lack of standards demanded of cement users. It is easy to skimp in both labor and materials in the mixing and placing of cement products, and I believe that frequently cement is unjustly condemned because of improper mixtures, and because of the consumer's mistaken utilization of dead sand and other unsuitable materials.

I am glad to offer you the services of the Commercial Development Department of the Baltimore and Ohio, regardless of whether your plants are located on our lines or not, in assisting in the export of your product or for any other purpose which will increase your business.

We are cooperating with the organizers of a new steamship line to ply between Baltimore and South American ports and can perhaps assist you in further development of that desirable field.

PREPAREDNESS

Just a few words in connection with Preparedness, about which we hear so much. We have immediately before us the necessity for another kind of preparedness; that is, industrial preparedness. We are not now meeting the demands of the country in taking care of the business promptly, efficiently and with reasonable

dispatch, except in a few cases. It would seem necessary at once to begin to prepare for greater industrial progress, and to do what is necessary, the shippers and the railways should become a unit in bringing about this industrial preparedness. The question of freight rates,—the so-called eight hour day movement, wage questions and organized labor, as well as other problems of the railways and the shippers, should be investigated and reviewed and such action taken by resolution, etc., to call attention to the way in which to handle such big problems in a manner that will benefit the greatest number of people. Should we not proceed with greater caution than was apparent in the passage of the Adamson Eight Hour Bill, which, when finally passed by Congress, was simply for the purpose of providing a heavy increase in wages for 18 per cent. of railroad employes, or less than one-third of one per cent. of the population of the United States?

Gentlemen, I submit to you that you, the shippers, and we, the railroads, have in common many problems of great importance which can be solved only by mutual and comprehensive cooperation.

I thank you, Mr. President and gentlemen, for the opportunity you have given me to address you and for the kindly attention and courtesy you have shown me.

MSH 20909

END OF
TITLE